

SENATE BILL 1147

By Herron

AN ACT to amend Tennessee Code Annotated, Title 56, relative to the taxation of hospital and medical service corporations and insurance premiums, and to the appropriation of funds for medical assistance.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 56-4-205(a)(1)(A), is amended by adding the following new language at the end of this subdivision:

In addition to the above premium taxes, any hospital and medical service corporation covered by Section 56-29-102, and any entity owned or controlled by such corporation, that offers health insurance in this state, shall pay tax on the gross amount of all dollars collected from an enrollee or on the enrollee's behalf in the amount of one percent (1%). This additional one percent (1%) premium tax shall not apply to any entity that administers TennCare benefits pursuant to Title 71, Chapter 5; provided, however, that in order to qualify for exemption from this tax, all TennCare benefits administered by that entity must be administered pursuant to a risk agreement.

SECTION 2. Tennessee Code Annotated, Section 56-32-224(a), is amended by adding the following new language at the end of this subdivision:

In addition to the above premium taxes, any health maintenance organization owned or controlled by a hospital and medical service corporation covered by Section

56-29-102 shall pay tax on the gross amount of all dollars collected from an enrollee or on the enrollees behalf in the amount of one percent (1%). This additional one percent (1%) premium tax shall not apply to any entity that administers TennCare benefits pursuant to Title 71, Chapter 5; provided, however, that in order to qualify for exemption from this tax, all TennCare benefits administered by that entity must be administered pursuant to a risk agreement.

SECTION 3. Tennessee Code Annotated, Title 56, Chapter 6, Part 4, is amended by adding the following section:

Section 56-6-413.

(a) The general assembly hereby declares that, as a matter of public policy, it is a taxable privilege in this state to engage, as a hospital and medical service corporation covered by Section 56-29-102, or as an entity owned or controlled by such corporation, in the business of an administrator of health insurance claims as defined by Section 56-6-401. It is also declared to be a taxable privilege to be regulated as a hospital and medical services corporation covered by Section 56-29-102 and not be at risk for the medical expenses of covered individuals.

(b) Except as provided in subsection (c), all administrators and other entities listed in subsection (a) doing business in this state shall be subject to a tax equal to fifteen dollars (\$15.00) per covered individual. The tax shall be based on the October enrollment for any year. The taxes for a calendar year shall be due and payable to the department of revenue on March 1 of the succeeding calendar year.

(c) The tax established by this section shall not apply to any entity that administers TennCare benefits pursuant to Title 71, Chapter 5; provided,

however that in order to qualify for exemption from this tax, all TennCare benefits administered by that entity must be administered pursuant to a risk agreement.

SECTION 4. All revenues collected pursuant to this act shall be dedicated to funding the state share of the cost of medical assistance provided through the Medicaid or TennCare programs authorized under Title 7, Chapter 5, Part 1.

SECTION 5. If any provision of this act or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the act which can be given effect without the invoking provision or application, and to that end the provisions of this act are declared to be severable.

SECTION 6. This act shall, for purposes of rulemaking, become effective upon becoming law. For all other purposes, this act shall become law on July 1, 2001, the public welfare requiring it.